



**Wm. Patrick Madden**  
Mayor, City of Troy

**Office of the Mayor**  
City Hall  
433 River Street  
Troy, New York 12180

Phone: (518) 279-7130  
Fax: (518) 270-4546  
mayorsoffice@troyny.gov

"Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix blame for the past. Let us accept our own responsibility for the future."

*John F. Kennedy*

Developing the City's 2017 budget is the most important task of this new administration and this new Council. We came into office under the cloud of critical reports issued by the New York State Comptroller about the City's past finances and budgeting practices. These reasonable criticisms address practices that have been going on for years.

Heeding the Comptroller's cautions, this administration has developed a spending plan that reflects the true cost of providing City services. In 2017, this plan will correct the historical imbalance between expenditures and revenues, which over the past 10 years has depleted our General Fund reserves.

This plan is based on actual revenues, operational requirements, and actual spending.

Along with City department heads, our finance team has assembled a fact-based, prudent spending plan that provides for the services that our residents need and expect.

We reviewed historical spending and future requirements to find savings and efficiencies, while considering the impact on residents. This proposed budget incorporates difficult decisions to reduce or eliminate services, and to raise taxes.

My guidelines for making this spending plan are simple:

- Base expense projections on verifiable facts
- Pay for recurring expenses only with dependable recurring revenues

As we prepared this proposed budget, we faced large increases mandated by New York State, required by wage agreements, or determined by third parties. Each of these increases alone requires substantial tax increases:

- Personnel 6.6%
- Benefits 8.7%
- Debt Service 2.5%

Revenue shortfalls during 2016 due to unrealistic budget estimates also add to the 2017 tax increase:

- Sale of City Property 5.6%
- Sales Tax 2.4%
- Franchise Taxes 1.3%
- City Fees 1.1%

Revenues in this proposed budget are cautiously estimated based on actual past years' collections. Each of the last three years' budgets included a one-shot revenue for sale of City property, which each year did not happen:

- The 2014 budget included \$690,000
- The 2015 budget included \$1.7 million
- The current 2016 budget includes \$1.1 million

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In the past, when actual revenues fell short of questionable predictions the City compensated by depleting important General Fund reserves. As a consequence, General Fund reserves have fallen over \$7 million since 2006. Over \$2 million of General Fund reserves have been depleted in just the last two years.

The 2017 expenditures and revenues have not been manipulated for short-term political expediency. This proposed budget is fact based. It states the true costs of operating the City, funded by dependable revenues. There are no understated expenses. There are no speculative revenues, no overstated revenues. This is a sound spending plan.

The City Council's May 2016 independent analysis of the recent New York State Comptroller's Audit found that "a tax increase of approximately 19% would be required" to eliminate the deficit. Further review of unrealized revenues as well as required expenditures increases that deficit.

Our goal for the 2017 budget review and passage is to make certain that financial stewardship replaces the political expediency of the past by:

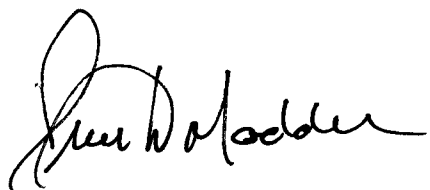
- Recognizing that deficits have been building for years
- Stopping the practices that have resulted in years of deficits
- Addressing the consequences of those past practices
- Returning the City to a sound financial footing
- Ensuring that Troy continues to thrive

The regrettably harsh consequence of correcting for past unrealistic and politically expedient budgeting practices, as well as the cost of required increases in expenditures, amounts to a tax increase of \$28 a month for a \$100,000 home.

This large a tax increase is most troubling for me to ask of City residents. I fully understand the burden it imposes. It cannot be avoided. It is not by choice.

Twenty-five years ago, under similar circumstances, we failed to take the necessary and difficult steps to correct our structural imbalances. The result is that today we are still repaying the resulting debt at a cost of more than \$6 million each and every year. It would be unconscionable to repeat that mistake again to the detriment of our children and those who follow us.

As leaders of this City, we are at a critical juncture. We must seize this opportunity to set a new standard for responsibility and end the practices of the past. It is incumbent on us to repair the crumbled foundation of our City's finances.

 10-07-2016